



LINDA S. ADAMS
SECRETARY FOR ENVIRONMENTAL
PROTECTION

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD



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GOVERNOR

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July 29, 2008

Mr. Scott Carroll
Director of Community Services
City of Claremont
1616 Monte Vista Avenue
Claremont, CA 91711-2913

RE: FINAL AUDIT REPORT – CITY OF CLAREMONT, GRANT AGREEMENTS
UBG6-00-3978, UBG7-01-5978 AND UBG8-02-7978

Dear Mr. Carroll:

Enclosed is the corrected final audit report of City of Claremont's Used Oil Recycling Block Grant, UBG6-00-3978, UBG7-01-5978 and UBG8-02-7978, awarded for the periods July 1, 2000, through June 30, 2005. Our audit included a review of receipts, expenditures, internal controls, and compliance with the grant agreement provisions.

The draft report issued June 19, 2008 included three findings. We corrected the final audit report by incorporating the City of Claremont's response, dated June 30, 2008. As a result of the audit report, and enclosed, are four invoices, two for unspent funds and two for accrued interest. We request prompt settlement of the enclosed invoices. The final audit report is intended for your use only.

If you have any questions regarding this report, please contact George Mendoza, Audit Manager at (916) 324-1358 or gmendoza@ciwmb.ca.gov.

Sincerely,

Susan Villa, Branch Manager
Fiscal Services Branch
California Integrated Waste Management Board

Enclosures

cc: Stacey Niemeyer, City of Claremont
Corky Mau, Manager, Grant and Loan Resources Branch, CIWMB
Julie Arico, Accounting Administrator, Accounting, CIWMB
Don Peri, Supervisor, Grant Programs Section A, CIWMB
Matthew Lisonbee, Auditor, Audits and Evaluations Unit, CIWMB
CIWMB Audits Unit Files



A GRANT AUDIT

CITY OF CLAREMONT

Used Oil Recycling Block Grant

**Grant UBG6-00-3978, UBG7-01-5978
and UBG8-02-7978**

**For the Periods July 1, 2000
through June 30, 2005**

**Prepared By:
California Integrated Waste Management Board
Audits and Evaluations Unit**

July 2008

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PREFACE

The California Integrated Waste Management Board awarded three grants to the City of Claremont for the City to participate in the Used Oil Block Grant Program. These grant agreements were funded by the Used Oil Recycling Fund.

The grants agreements were as follows:

Grant Agreement	Amount	Audit Period
UBG6-00-3978	\$12,305	July 1, 2000 - June 30, 2003
UBG7-01-5978	\$11,361	July 1, 2001 - June 30, 2004
UBG8-02-7978	\$16,033	July 1, 2002 - June 30, 2005

The objective of this audit was to determine the City's fiscal compliance with the aforementioned grants. The audit also assessed City's compliance with applicable regulations and agreement requirements, as well as a review of internal controls.

This report is intended for the information and use of CIWMB and City management. However, this report is a matter of public record and its distribution is not limited.

STAFF:

George Mendoza, Audit Manager

Matthew Lisonbee, Auditor

AUDITOR'S REPORT

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS-25A
Sacramento, CA 95814

The Audits and Evaluations Unit conducted an audit of the City of Claremont (City) Used Oil Recycling Block Grants. Public Resources Code Section 48657 requires that the California Integrated Waste Management Board (CIWMB) conduct a selective audit of entities to determine whether grants and recycling incentives are being paid out properly. This audit report meets this statutory requirement and is intended for the information and use of CIWMB and City's management.

This audit included a review of receipts, expenditures, internal controls, and compliance with the grant agreement provisions for:

- UBG6-00-3978, July 1, 2000, through June 30, 2003
- UBG7-01-5978, July 1, 2001, through June 30, 2004
- UBG8-02-7978, July 1, 2002, through June 30, 2005

To summarize the grant receipts and expenditures, prepared were Statements of Revenue and Expenditures (hereinafter referred to as Statements) for these agreements executed between CIWMB and City. These Statements were prepared from City's records and are the responsibility of City's management. The audit responsibility is to provide management reassurance on the propriety of grant payments as represented by these Statements.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide reasonable assurance as to whether City is compliant with the requirements of the grant agreement(s). An audit includes examining, on a substantive and control test basis, evidence supporting sample amounts listed in the Statements and grant compliance disclosures.

As part of the audit, City did provide a management representation letter. This letter is to confirm City's representations provided to us explicitly or implicitly, indicate and document the continuing appropriateness of such representations, and reduce the possibility of misunderstanding concerning the matters that are the subject of the representations.

Compliance

The accompanying Statements were prepared, as described in Note 4, for the purpose of determining the City's fiscal compliance with the aforementioned grant agreements. The Statements are not intended to be a presentation of the City's total revenue and expenditures.

As discussed in the accompanying schedule of *Findings and Recommendations*, we identified questioned costs of \$2,277.32 for UBG6-00-3978; and \$1,070.35 for grant UBG7-01-5978 that should be reimbursed to CIWMB. Also, the interest of \$297.52 for the UBG6 grant and \$161.82 for the UBG7 grant should be remitted to CIWMB. The combined total amount is \$3,807.01.

Except for the effects of the matters discussed in the preceding paragraph, the Statements referred to above present fairly, in all material respects, the claimed and audited revenue and expenditures for grant agreements.

As part of obtaining reasonable assurance on the Statements, we performed tests of City's compliance with certain regulations and the grant agreement. The results of our tests disclosed noncompliance with the grant agreement requirements regarding retaining all documents as support for charges claimed in case of an audit. This is fully described in the accompanying Findings and Recommendations.

Management Controls

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal controls over financial reporting that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the Statements. The reportable condition is described in the accompanying schedule of Findings and Recommendations.

This report is intended solely for the information and use of the CIWMB and City management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Susan Villa, Branch Manager
Fiscal Services Branch
Administration and Finance Division
(916) 341-6092

July 29, 2008

City of Claremont
Used Oil Recycling Block Grant UBG6-00-3978
For the Period July 1, 2000 through June 30, 2003

	Claimed	Audited	Questioned
Revenue:			
State Grant	\$12,305.00	\$12,305.00	\$0.00
Plus: Accrued Interest	\$297.52	\$297.52 *	\$0.00
Total Revenue	<u>\$12,602.52</u>	<u>\$12,602.52</u>	<u>\$0.00</u>
Expenditures:			
Permanent Collection Facility	\$2,030.31	\$2,030.31	\$0.00
Publicity and Education	\$5,340.20	\$5,340.20	\$0.00
Personnel	\$5,045.10	\$2,767.78 **	\$2,277.32
Other Expenses	\$186.91	\$186.91	\$0.00
Total Expenditures	<u>\$12,602.52</u>	<u>\$10,325.20</u>	<u>\$2,277.32</u>
Excess of Revenues over Expenditures	<u>\$0.00</u>	<u>\$2,277.32</u>	
		Total Amount Questioned	<u>\$2,277.32</u>

Unspent	+ Questioned	+ Interest	= Owed to CIWMB
\$0.00	2,277.32	\$297.52	= \$2,574.84

The accompanying notes are an integral part of this statement.

* Due to the questioned costs, meaning that all of the grant money was not properly spent, the grant terms and conditions require that the interest be returned to the CIWMB.

** A substantial amount of personnel time charged to the grant was unsupported by the documentation provided by the City of Claremont and further requests did produce additional documentation that increased eligible and documented personnel costs.

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STATEMENT OF REVENUE AND EXPENDITURES

**City of Claremont
Used Oil Recycling Block Grant UBG7-01-5978
For the Period July 1, 2001 through June 30, 2004**

	Approved by CIWMB	Claimed by Grantee
Revenue:		
State Grant	\$11,361.00	
Plus: Accrued Interest	\$161.82	
Total Revenue	\$11,522.82	
Expenditures:		
Permanent Collection Facility		\$2,159.13
Publicity and Education		5,242.12
Personnel		4,090.18
Travel Expense		31.75
Total Expenditures		\$11,491.43
Excess of Expenditures over/under Revenue		<u><u>\$31.39</u></u>

The accompanying notes are an integral part of this statement.

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City of Claremont
Used Oil Recycling Block Grant UBG8-02-7978
For the Period July 1, 2002 through June 30, 2005

	Claimed	Audited	Questioned
Revenue:			
State Grant	\$16,033.00	\$16,033.00	\$0.00
Plus: Accrued Interest	\$120.00	\$120.00	\$0.00
Total Revenue	<u>\$16,153.00</u>	<u>\$16,153.00</u>	<u>\$0.00</u>
Expenditures:			
Permanent Collection Facility	\$3,204.41	\$3,204.41	\$0.00
Publicity and Education	\$10,617.35	\$10,617.35	\$0.00
Personnel	\$2,063.03	\$2,063.03	\$0.00
Other Expenses	\$268.21	\$268.21	\$0.00
Total Expenditures	<u>\$16,153.00</u>	<u>\$16,153.00</u>	<u>\$0.00</u>
Excess of Revenue over Expenditures	<u>\$0.00</u>	<u>\$0.00</u>	
Total Amount Questioned			<u>\$0.00</u>

Unspent	+	Questioned	=	Owed to CIWMB
\$0.00	+	\$0.00	=	\$0.00

The accompanying notes are an integral part of this statement.

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NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

**City of Claremont
Used Oil Recycling Block Grant UBG6-00-3978,
UBG7-01-5978 and UBG8-02-7978
For the Combined Period of July 1, 2000 through June 30, 2005**

Note 1 Description of the Reporting Entity

The City of Claremont (City), incorporated in 1907, is better known as “the City of Trees” and is located 30 miles east of downtown Los Angeles where it sits at the base of the San Gabriel Mountains. 52% of Claremont residents age 25 and older have a bachelor’s or advanced college degree. City operates under the council-manager form of government. City also provides a broad range of services including: police protection, solid waste collection, maintenance of streets and infrastructure, planning and zoning activities, recreation, and general administrative services. City’s Community Services Department has the responsibilities for trash collection, recycling service, and administering the Used Oil Recycling Block grants.

Note 2 Program Information

The California Integrated Waste Management Board administers the California Oil Recycling Enhancement Act, which includes the disbursement of Used Oil Block Grants from the Used Oil Recycling Fund.

The Legislature enacted the California Oil Recycling Enhancement Act (Public Resources Code Section 48600 – 48691) to reduce the illegal disposal of used oil, and to recycle and reclaim used oil to the greatest extent possible, in order to recover valuable natural resources and to avoid damage to the environment and threats to public health. The UBG program awards grants to local agencies, which use the funds to implement used oil collection programs.

Note 3 Descriptions of Used Block Grants

City received three grant awards in the amounts of \$12,305 for UBG6-00-3978, \$11,361 for UBG7-01-5978 and \$16,033 for UBG8-02-7978, to provide opportunities for the collection of used oil and filters. The grant terms covered the overall period July 1, 2000 through June 30, 2005.

City’s primary goals for the Used Oil Block Grants were to provide public education; hold community events; ensure that certified used oil collection centers were available for residents not served by curbside used oil collection; and personnel and contract staff expenses.

Note 4 Summary of Significant Accounting Policies

A. Basis of Presentation

The Statements presented in this report were prepared from City's accounts and financial transactions. The Statements summarize revenues and expenditures recorded by City during the grants term period. It is further noted that City did not record the financial transactions in accordance with the Terms and Conditions of the Grant Agreement for UBG6-00-3978 and UBG7-01-5978, which contains guidance for the grant.

The Statements summarize City's transactions pertaining to UBG6-00-3978, UBG7-01-5978 and UBG8-02-7978. They are not intended to represent all of City's financial activities.

B. Basis of Accounting

City's accounts are maintained on the modified accrual basis and in accordance with the principles of fund accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred.

Note 5 Lack of Communication

During the performance of this audit, we observed that there appeared to be a break down in communication between both the CIWMB and City. Specifically, we noted that funds had been transferred between the grant cycles without the "buy-off" and/or mutual acknowledgment of either entity during the period July 1, 2001 through June 30, 2007.

FINDINGS AND RECOMMENDATIONS

During our audit of grant UBG6-00-3978, UBG7-01-5978 and UBG8-02-7978, we identified reportable internal control and compliance issues requiring corrective action. The following recommendations, if implemented, will improve City's fiscal control over grant funds.

Finding 1 Inadequate Fiscal Controls and Questioned Costs

Condition: City did not comply with the grant agreement's fiscal requirements in its administration of grants UBG6-00-3978 and UBG7-01-5978. Specifically:

UBG6-00-3978

City was awarded \$12,305 of which \$11,074.50 was advanced. City claimed \$4,223.25 for Personnel Services. The auditor reclassified \$821.85 claimed under Permanent Collection Facilities for Oil Center staff hours to Personnel Services which increased City's claim from \$4,223.25 to \$5,045.10. However, the audit could only verify \$2,767.78 and questioned \$2,277.32. The auditor's reclassification of expense categories increased the City's expenditures and decreased the remittance due CIWMB.

UBG7-01-5978

City was awarded \$11,361 of which \$10,224.90 was advanced. They claimed total expenditures in the amount of \$11,522.82. However, City did not adequately reconcile their personnel expenditures. Specifically, they claimed \$4,090.18 for Personnel Services but their timesheets and documentation could only substantiate \$3,019.83. The audit questions \$1,070.35 for personnel services.

Criteria: The Procedures and Requirements for the Used Oil Recycling Block Grant's, Sixth and Seventh Cycles both state that each Used Oil Block Grant Cycle must be tracked and accounted for separately. Grantees are responsible for maintaining ALL grant related expenditure documentation at the local level. And, the Grantees must maintain organized and accurate grant records that follow generally accepted accounting principles that provides an audit trail.

Recommendations:

- For UBG6-00-3978, City should reimburse \$2,277.32 to CIWMB.
- For UBG7-01-5978 City should reimburse \$1,070.35 to CIWMB.
- Ensure that all future claimed costs are in compliance with the grant agreements, tracked and adequately supported as well as documented and accounted for separately in City's general ledger for each grant cycle.
- Regularly monitor and reconcile the grant expenditures posted to the general ledger.

Finding 2 Late Submittal of Progress Reports

UBG7-01-5978 and UBG8-02-7978

Condition: City did not submit progress reports to the CIWMB on a timely basis.

For UBG7-01-5978, City only submitted two of the required six reports due.

For UBG8-02-7978 of the six required reports only one was submit, in a timely fashion. It took over a year for City to submit the required August 15, 2004 report.

Inadequate reporting by City limits the CIWMB's ability to effectively monitor grant funds, and increases the risk of funds being used for unauthorized purposes

Criteria: The Procedures and Requirements for both the Seventh and Eighth Cycle Used Oil Recycling Block Grant' states that grantees are required to submit Progress Reports on February 15th and August 15th of each year.

Recommendation:

Submit timely progress reports. Without timely progress reports, the CIWMB is not properly informed of City's progress throughout the project.

Finding 3 Interests Earned on Grant Funds

Condition: **UBG6-00-3978**

As detailed in Finding 1, City has been unable to substantiate \$2,277.32 of their claimed personnel expenses. Therefore, the \$297.52 in accrued interest earned should be remitted to CIWMB.

UBG7-01-5978

As detailed in Finding 1, City has been unable to substantiate \$1,070.35 of their claimed personnel expenses. Therefore, the \$161.82 in accrued interest earned should be remitted to CIWMB.

Criteria: Used Oil Recycling Block Grant, Sixth and Seventh Cycle states that any unused interest accrued must be returned to the Board at the end of the grant term.

Recommendations:

City should remit a total of \$459.34 for interest earned on advanced grant funds.

NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES

City of Claremont
Used Oil Recycling Block Grant UBG6-00-3978,
UBG7-01-5978 and UBG8-02-7978
For the Combined Period of July 1, 2000 through June 30, 2005

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Recommendations:

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Recommendation:

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Criteria: Used Oil Recycling Block Grant, Sixth and Seventh Cycle states that any unused interest accrued must be returned to the Board at the end of the grant term.

Recommendations:

City should remit a total of \$459.34 for interest earned on advanced grant funds.



CITY OF CLAREMONT

Community Services Department

1616 Monte Vista Avenue
Claremont, CA 91711-2913
FAX (909) 445-7822
www.ci.claremont.ca.us

Director • (909) 399-5432
Trees • (909) 399-5431
Maintenance • (909) 399-5431
Solid Waste • (909) 399-5431
Oak Park Cemetery • (909) 399-5487

June 30, 2008

Mr. Matthew Lisonbee
California Integrated Waste Management Board
P.O. Box 4025 M.S. 19A
Sacramento, CA 95812-4025

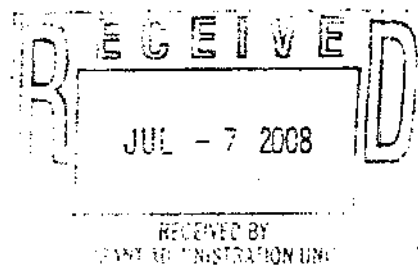
Dear Mr. Lisonbee:

Draft Report—City of Claremont, Grant Agreements
UBG6-00-3978, UGB7-01-5978 and UBG8-02-7978

We received your draft report on your audit of the City's above-referenced Used Oil Block Grant. As a result of your thorough audit, we have become aware of our poor recordkeeping in the past and appreciate your bringing it to our attention. Be assured that we have reviewed our internal documentation process and are taking steps to ensure that we will be able to substantiate all expenses in the future.

We have recently implemented an automated timekeeping and payroll system, which allows for better tracking of staff hours attributed to used oil collection and related personnel activity. Previous grant cycles also were administered by multiple staff members. All grant-related records are now compiled and organized by an individual staff member, with one other management employee overseeing records maintenance.

As we have already taken corrective action and assure you that we are now in full compliance, we respectfully request that you accept payment in the amount of one thousand two hundred eighty-seven dollars and forty-two cents (\$1287.42) for UBG6-00-3978 and of six hundred sixteen dollars and nine cents (\$616.09) for UBG7-01-5978. We ask that you consider this remittance payment in full of funds owed to CIWMB, and appreciate that CIWMB will make no further attempt to seek reimbursement with regard to these two grant cycles.



Matthew Lisonbee
June 30, 2008
Page 2

If you agree to these terms, please sign below to confirm and return by fax to (909) 445-7822, with the hard copy to follow by mail to: Dawn Ross / City of Claremont / 1616 Monte Vista Avenue / Claremont, CA 91711. Should you have any questions or need additional information, please feel free to contact me at (909) 399-5432.

Sincerely,



Scott Carroll
Director of Community Services

Accepted on behalf of CWIMB by:

[signature]

[print name]

Date

c: Stacey Niemeyer, Management Analyst

Evaluation of Response

We have reviewed and evaluated the response provided by the City of Claremont, and incorporated the response into our final report. The Grantee's response acknowledges their awareness of their poor recordkeeping, but states that they have recently implemented an automated timekeeping and payroll system that will prevent this problem from occurring in the future.

Based on their efforts to prevent the problem from occurring in the future, they have requested that the Board accept payment of \$1,287.42 for UBG6 instead of \$2,574.84 and \$616.09 for UBG7 instead of \$1,232.17. While the Board approves of their effort to correct the problem and prevent it from reoccurring in future grant cycles, no further documentation was provided to justify the unsupported time or to change the amounts in question. Thus, the Board maintains the position that the City of Claremont should reimburse the Board for the full amounts in question.



State of California
California Integrated Waste Management Board

Invoice #: 8002-100-2007

Date: 07/07/2008

City of Claremont
Mr. Scott Carroll
Director of Community Services
1616 Monte Vista Ave
Claremont, CA 91711

Make Checks Payable To:
CA Integrated Waste Management Board
Accounting
1001 "I" Street, P.O. Box 4025
Sacramento, CA 95812-4025

Quantity	Description	Unit	%	Amount
	An audit of the City of Claremont UBG6-00-3978 grant disclosed \$297.52 of accrued unspent interest.			297.52
Date Due: 08/07/2008		Total Amount Due:		297.52

Please Return One Copy of this Invoice

Accounting Use Only: Fiscal Year: 2007 REVENUE 1000/80100/161400-60

#2732



State of California
California Integrated Waste Management Board

Invoice #: 8003-100-2007

Date: 07/07/2008

City of Claremont
Scott Carroll
Director of Community Services
1616 Monte Vista Ave
Claremont, CA 91711

Make Checks Payable To:
CA Integrated Waste Management Board
Accounting
1001 "I" Street, P.O. Box 4025
Sacramento, CA 95812-4025

Quantity	Description	Unit	%	Amount
	An audit of the City of Claremont's UBG06-00-3978 grant disclosed \$2,277.32 for claimed expenditures that were unsubstantiated by the accounting records.			2,277.32
Date Due: 08/07/2008		Total Amount Due:		2,277.32

Please Return One Copy of this Invoice

Accounting Use Only: Fiscal Year: 2007 ABATEMENT 1000/75100/580200

#2733



State of California
California Integrated Waste Management Board

Invoice #: 8005-100-2007

Date: 07/07/2008

City of Claremont
Scott Carroll
Director of Community Services
1616 Monte Vista Ave
Claremont, CA 91711

Make Checks Payable To:
CA Integrated Waste Management Board
Accounting
1001 "I" Street, P.O. Box 4025
Sacramento, CA 95812-4025

Quantity	Description	Unit	%	Amount
	An audit of the City of Claremont's UBG07-00-5978 grant disclosed \$1,070.35 for claimed expenditures that were unsubstantiated by the accounting records.			1,070.35
Date Due: 08/07/2008		Total Amount Due:		1,070.35

Please Return One Copy of this Invoice

Accounting Use Only: Fiscal Year: 2007 ABATEMENT 1000/75100/580200

#2735



State of California
California Integrated Waste Management Board

Invoice #: 8004-100-2007

Date: 07/07/2008

City of Claremont
Scott Carroll
Director of Community Services
1616 Monte Vista Ave
Claremont, CA 91711

Make Checks Payable To:
CA Integrated Waste Management Board
Accounting
1001 "I" Street, P.O. Box 4025
Sacramento, CA 95812-4025

Quantity	Description	Unit	%	Amount
	An audit of the City of Claremont UBG7-01-5978 grant disclosed \$161.82 of accrued unspent interest.			161.82
Date Due: 08/07/2008		Total Amount Due:		161.82

Please Return One Copy of this Invoice

Accounting Use Only: Fiscal Year: 2007 REVENUE 1000/80100/161400-60

#2734

